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ANCHOR PETROLEUMS LIMITED

Annual Report to Shareholders

PERIOD ENDING
31st January, 1966

ANCHOR PETROLEUMS LIMITED

CAPITAL

Authorized	6,000,00 shares par value \$1.00
Issued	4,400,000

DIRECTORS AND OFFICERS

JOHN C. MEYER, Miami, Florida	<i>President and Director</i>
DEAN S. DIGNAM, Toronto, Ontario	<i>Vice-President and Director</i>
ROBERT S. BOOKBINDER, Miami, Florida	<i>Secretary-Treasurer and Director</i>
DANIEL E. WILLITS, Wardsville, Ontario	<i>Assistant Secretary and Director</i>
DALE ROBERTSON, Hollywood, California	<i>Director</i>

AUDITORS

Gunn, Roberts and Co.
Toronto, Ontario

HEAD OFFICE

Suite 811, 372 Bay St.
Toronto, Ontario

FIELD OFFICE

P.O. Box 32
Wardsville, Ontario

REGISTRAR AND TRANSFER AGENT

CROWN TRUST COMPANY

Toronto, Ontario

Shares are listed on the Toronto Stock Exchange

DIRECTORS' REPORT

To the Shareholders:

ANCHOR PETROLEUMS LIMITED

Your Directors present herewith the Annual Report of your Company including the Financial Statements and Auditors' Report for the fiscal year ended January 31st, 1966.

In line with the active program of exploration and development in Southwestern Ontario initiated early in 1965, your Company is pleased to report that one successful natural gas well was drilled in Mosa Township and four successful crude oil wells in Sombra Township.

In MOSA TOWNSHIP the new well has appreciably increased natural gas production. The Company now has 21 producing natural gas wells in this field. During the current year a program of well re-work is being carried out with a view to improving production. Several of these wells already treated have shown a remarkable increase in gas flow. The Company owns a seven mile gas transmission line and all production is sold under contract to The Union Gas Company of Canada. That Company has been granted permission to connect a growing number of consumers to our line which is substantially increasing sales.

The four wells in SOMBRA TOWNSHIP were drilled on the easterly 300 acres of the 700 acre spread held jointly with Stanwell Oil & Gas Limited. A treatment centre was built to prepare and store the oil for shipment to the refinery. The oil is being marketed under contract to The Imperial Oil Company for a price in excess of \$3.00 per barrel. It is expected that this summer will see these four wells in full production. Sombra Township has many large capacity wells and it is the intent of your Company to continue in its efforts to locate a well of this type in the area. Negotiations are in process for the leasing of a particularly choice 50 acre location surrounded by a number of producing wells. Alternative plans are to drill one more well on the easterly 300 acres under lease or on the remaining 400 acre block to the west.

Drilling results in BOSANQUET TOWNSHIP by other oil companies in 1965 were reported to be unsuccessful and upon the recommendation of our Consulting Engineers your Directors decided to abandon the leases acquired last year.

On behalf of the Board of Directors,

Robert S. Bookbinder,
Secretary-Treasurer.

July 8, 1966

ANCHOR PETROLEUMS LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — JANUARY 31, 1966

ASSETS

Current Assets

Cash	\$	27,558	
Accounts receivable		22,453	
Due from Directors		2,153	\$ 52,164

Capital Assets

Interest in petroleum and natural gas leases at cost		16,399	
Royalty interest at cost less amounts written off		3,839	
Intangible well costs, producing wells		238,282	
Equipment at cost	\$	77,748	
Less accumulated depreciation		74,138	3,610 262,130

Other Assets and Deferred Expenditures

Deferred exploration, development and administrative expenditures		329,854	
Inventory of supplies at cost		3,324	
Prepaid insurance		2,754	
Sundry deposits		4,290	
Organization and recapitalization expense deferred		3,905	344,127
			<u>\$ 658,421</u>

LIABILITIES

Current Liabilities

Bank loan	\$	75,000	
Accounts payable		21,502	\$ 96,502

Shareholders' Equity

Capital stock

Authorized — 6,000,000 shares of \$1 each			
Issued — 4,400,000 shares		4,400,000	
Less discount on shares		3,531,860	

		868,140	
Deduct deficit		306,221	561,919

NOTE: As the company is in the exploratory stage, exploration, development and administrative expenditures are deferred. Net income from production is deducted from the expenditures deferred.

\$ 658,421

Approved on behalf of the Board:

ROBERT S. BOOKBINDER, Director

DANIEL E. WILLITS, Director

ANCHOR PETROLEUMS LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED FOR THE YEAR ENDED JANUARY 31, 1966

	Balance February 1, 1965	Year ended January 31, 1966	Balance January 31, 1966
Petroleum and natural gas exploration and development			
Geological fees and field expense	\$ 15,426	\$ 3,258	\$ 18,684
Field supervision and office expense	70,535	1,517	72,052
Lease rentals and government fees	55,233	1,103	56,336
Depreciation of equipment	917		917
Abandoned well costs	109,567	7,828	117,395
	<u>251,678</u>	<u>13,706</u>	<u>265,384</u>
Administrative and general expenses			
Executive salaries		9,654	9,654
Head office administrative expenses	74,120	5,750	79,870
Directors' fees and expenses	5,578	350	5,928
Travel expense	4,889	3,798	8,687
Legal and audit fees	24,581	3,651	28,232
Share issue and transfer expenses	49,149	1,122	50,271
Shareholders' information and publicity	20,136	2,925	23,061
Interest expense and bank charges	5,122	735	5,857
Miscellaneous expenses	19,340	1,514	20,854
	<u>202,915</u>	<u>29,499</u>	<u>232,414</u>
Total expenditures	<u>454,593</u>	<u>43,205</u>	<u>497,798</u>
 <i>Deduct</i> — net revenue from production	 152,110	 (714)	 151,396
— other revenue	16,442	106	16,548
	<u>168,552</u>	<u>(608)</u>	<u>167,944</u>
 Balance deferred	 <u>\$286,041</u>	 <u>\$43,813</u>	 <u>\$329,854</u>

STATEMENT OF DEFICIT FOR THE YEAR ENDED JANUARY 31, 1966

Balance February 1, 1965		\$278,130
<i>Add</i>		
Interest in petroleum and natural gas leases abandoned	\$ 21,777	
Balance of expenses in connection with sale of shares in Flamingo Oils Limited in 1965 fiscal year	6,314	28,091
Balance January 31, 1966		<u>\$306,221</u>

ANCHOR PETROLEUMS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 31, 1966

Source of Funds

Decrease in inventory of supplies	\$ 1,783	
Interest earned	106	
Net revenue from oil production after elimination of depreciation charge not requiring cash outlay	890	\$ 2,779

Application of Funds

Purchase of capital assets (less \$778 proceeds of disposal)	2,592	
Exploration and administrative expenditures	43,205	
Well drilling costs	94,590	
Expenses in connection with sale of shares in Flamingo Oils Limited in 1965 fiscal year	6,314	
Sundry deposits	4,290	
Increase in prepaid insurance	2,314	153,305
Decrease in working capital position		<u>\$150,526</u>
Working capital at February 1, 1965	\$106,188	
Decrease in working capital position	150,526	
Capital deficiency at January 31, 1966	<u>\$ 44,338</u>	



AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Anchor Petroleum Limited as at January 31, 1966 and the statements of exploration, development and administrative expenditures deferred and deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of exploration, development and administrative expenditures deferred and deficit present fairly the financial position of the company as at January 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the accompanying statement of source and application of funds for the year ended January 31, 1966. In our opinion the statement presents fairly the sources and applications of funds for the year.

GUNN, ROBERTS AND CO.
Chartered Accountants.

Toronto, Canada,
May 27, 1966.

AMERICAN PETROLEUM COMPANY

THE AMERICAN PETROLEUM COMPANY
NEW YORK, N. Y.

General Agent
for the sale of
all grades of
gasoline and
kerosene.

Also for the sale of
all grades of
fuel oil.

Wholesale and
retail business
conducted at
all times.

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and prices, please
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